



Suzanne Henderson

**OIL AND GAS LEASE**

AGREEMENT, Made and entered into the 3 day of June, 2008, by and between the CORPORATION OF THE PRESIDING BISHOP OF THE CHURCH OF JESUS CHRIST OF LATTER-DAY SAINTS A UTAH CORPORATION SOLE whose address is 50 East North Temple Street, Salt Lake City, Utah 84510 hereinafter called Lessor (whether one or more) and **CARRIZO OIL AND GAS, INC.**, whose address is 1000 Louisiana, Suite 1500, Houston, Texas, 77002, hereinafter called Lessee:

WITNESSETH: that Lessor, for and in consideration of ten or more DOLLARS (\$10.00+) in hand paid, receipt of which is hereby acknowledged, and of the agreements of lessee hereinafter set forth, hereby grants, demises, leases and lets exclusively unto said lessee the lands hereinafter described for the purpose of prospecting, exploring by geophysical and other methods, drilling, mining, operating for and producing oil or gas, or both, including, but not as a limitation, casinghead gas, casinghead gasoline, gas-condensate (distillate), gas producible from coal-bearing formations, and any substance, whether similar or dissimilar, produced in a gaseous state, all associated hydrocarbons produced in a liquid or gaseous form, all sulfur, and for injecting water and other fluids, gas, air, and other gaseous substances into subsurface strata, together with the right to construct and maintain pipelines, telephone and electric lines, tanks, powerlines, ponds, roadways, plants, equipment, and structures thereon to produce, save and take care of said oil and gas, and the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface strata and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or co-jointly with neighboring land, for the production, saving and taking care of oil and gas and the injection of air, gas, water, brine, and other fluids into the subsurface strata, said being situated in the County of Tarrant State of Texas to wit:

Lots 1 through 22, Block 1, out of Lt Matlock TownHome Addition, an Addition to the City of Arlington, Tarrant County, Texas. Being the same land described in that certain Final replat dated July 9, 2004, from the Value Builders, Inc., as recorded in Cabinet A, Slid 9426, of the Official Plat Records of Tarrant County, Texas

together with all strips, parcels of land and riparian rights adjoining or contiguous to the above described tract of land, and owned or claimed by Lessor and containing 2.488 acres more or less.

1. It is agreed that this lease shall remain in force for a term of 3 years from this date and as long hereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith, and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a **PAID-UP LEASE**. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered. The consideration paid upon delivery of this lease shall be deemed as bonus and rental payment in full.

3. In consideration of the premises the said Lessee covenants and agrees:

1<sup>st</sup>. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal 1/4 (25%) of all oil produced and saved from the leased premises. Lessor may, from time to time, at its option, take royalty in kind.

accruing as to the acreage surrendered. The consideration paid upon delivery of this lease shall be deemed as bonus and rental payment in full.

2<sup>nd</sup> To pay lessor 1/4 (25%) of the gross proceeds each year, payable monthly, for the gas from each well where gas only is found, while the same is being used off the premises or in the manufacture of gasoline or any other product, including any associated liquids stripped from the gas off the premises, a royalty of 1/4 (25% payable monthly at the prevailing market rate.

3<sup>rd</sup>. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product, a royalty 1/4 (25%) of the proceeds, at the point of sale, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used, Lessee shall pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. Such payment or tender shall be considered as gas production within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, at fair market value, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below maximum tillable depth.

8. No well shall be drilled nearer than 200 feet to houses, barns or other facilities, including Lessors water facilities now on said premises without written consent of Lessor. Notwithstanding anything to the contrary, Lessee agrees that it will conduct no operations on the surface of the leased lands without the consent of Lessor. It is further agreed and understood that Lessee shall have the right to drill and operate directional wells through and under said land, irrespective of the bottom hole locations of said wells. To this end, Lessor hereby grants to Lessee a subsurface easement for all purposes associated with such directional wells. Lessee agrees that the subsurface easement shall commence at and continue below the depth of 500 feet.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land. Any and all such damages shall be negotiated with the Surface Owner through Surface Agreement contracts separate from this lease.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to

this lease. Such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of any such Law, Order, Rule or Regulation.

14. Lessor agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. Should any one or more of the parties herein above named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor", as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

#### **OTHER PROVISIONS:**

16. Lessee and Lessor agree that this is a non-surface use agreement. There will be no roads, pipelines drill sites or other uses of the surface of this 2.498 acres.

17. Lessee shall indemnify and hold Lessor, its successors, officers, employees, corporate affiliates, and successors, officers and employees of its corporate affiliates harmless, at Lessee's cost, from and against any and all liability, liens, claims and environmental liability, including reasonable attorneys' fees, arising out of Lessee's operations under the terms of this lease.

18. Lessee and Lessee's successors and assigns may assign or sublease this lease, in whole or in part, provided Lessor shall be notified prior to any and all such assignments and subleases, and shall be furnished with full information with regard thereto, and shall have the right of approval of all such assignments and subleases.

19. Lessee shall at all times during the period of occupancy of the leased premises, and at its own cost and expense, procure and continue in force commercial general liability insurance covering the leased premises including coverage for independent contractors, products, completed operations, blanket or broad form contractual coverage, insuring the indemnification provision under Paragraph #19 of this lease, personal injury liability, broad form property damage, and fire legal liability. Required limits are \$1 million per occurrence and \$2 million annual aggregate bodily injury and property damage; \$1 million per occurrence, products and completed operations; \$1million per offense, personal injury; and \$1 million fire legal liability.

20. A 1/4 (25%) royalty of the gross proceeds each year, payable monthly, for any sulfur recovered from the leased premises.

- Natural Resources Section  
50 East North Temple Street, 12<sup>th</sup> Floor  
Salt Lake City, Utah 84150  
Phone 801-240-5288 (office)**

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

By: Ty F. Radd  
It's: Authorized Agent g

On this 3<sup>rd</sup> day of JUNE, 2008, personally appeared before me TEAR F. RUD, personally known to me to be an Authorized Agent of the Corporation of the Presiding Bishop of the Church of Jesus Christ of Latter-Day Saints, a Utah corporation sole, who acknowledged before me that he signed the foregoing instrument as Authorized Agent for the Corporation of the Presiding Bishop of the Church of Jesus Christ of Latter-Day Saints, a Utah corporation

sole and that said instrument is the free and voluntary act of said Corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument on behalf of said Corporation and that said Corporation executed the same.

WITNESS my hand and official seal.

Flora D. Wright

Notary Public  
Residing at: Salt Lake City, Utah

My commission expires: 10/10/2009

